

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (Tuesday, 5/27): 43,131 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: \$29.5 – 40 per MWh, Ave. = \$34.5
- Approximate change from previous week \$+0.7 per MWh
- “Normal” price range, before 5/00 \$20-\$40 per MWh
- Petroleum, West Texas Intermediate: \$28.58 per barrel (year ago: \$24.47)
- Seattle gasoline price (5/27) \$1.59 per gallon (year ago \$1.48)
- Natural gas, Sumas Hub: \$5.04 per million British Thermal Units (year ago \$2.74)
- Approximate change from last week. Oil: -0.25per barrel; Nat. gas: -.01 MMBtu

3. California Electricity Situation

- CA ISO Alert Status
 - A stage 2 alert was declared on July 10, 2002.
 - Restricted maintenance warning declared, Sept. 23, 2001
 - Most recent rotating blackouts: Tuesday, May 8, 2001
- Energy News Headlines from California and the Nation
 - Daimler-Chrysler, UPS, federal government team up on fuel cell project (AP, May 20)
 - SN CRAC settlement talks fail (Clearing Up, May 19)
 - Greenspan says natural gas supply is serious problem (Reuters, May 21)

4. River and Snowpack Information (Updated May 20, 2003)

- Observed April stream flow at The Dalles: 97.4% of average
- Observed May precipitation above the Dalles: 114% of average
- Observed 2003 snow pack as of May 7: 89% of average
- The latest forecast of Columbia River stream flows this January through July is 85.3 million acre feet, 79 percent of normal: National Weather Service Northwest River Forecast Center.

5. Energy Conservation Achievement (Updated Mar. 10, 2003)

- **State Agencies:** From January to December 2002 electrical usage was 7.6 % less and natural gas usage was 4.1% less compared to the same period in 2000.

6. Winter Load Loss/Reservoir Impacts/Fish (Updated April 21)

- Federal reservoir system storage: 46% full: Precipitation Oct. – to date, 93% of normal.
- Estimated winter (2002/03) load loss probability of 1%

7. Power Exchanged: (May 19, 2003)

- Average flow of power during the last 30 days
 - California (exported to) 2,964 MW
 - Canada (exported to) 601 MW
 - Net power export: 3,565 MW

Wednesday May 28, 2003

DaimlerChrysler, UPS, federal government team up on fuel cell project

20 May 2003

By Sarah Freeman, Associated Press

ANN ARBOR, Mich. — DaimlerChrysler AG said Monday it is teaming with United Parcel Service Inc. and the Environmental Protection Agency for what officials billed as the first introduction of fuel cell vehicles into a U.S. commercial delivery fleet.

The DaimlerChrysler vehicles will be used in normal UPS operations on an established delivery route. A passenger-sized F-Cell — a Mercedes-Benz A-Class powered by a Ballard fuel cell — was expected to begin letter delivery toward the end of the summer. A fuel cell Dodge Sprinter van will begin delivering larger packages next year.

"The really intriguing part of this partnership is that these vehicles are going to be in day-to-day use," said EPA Administrator Christie Whitman. "They can be monitored through temperature variances ... the stops and starts of city driving, and long distances where the speed gets up for a sustained time."

The three said they would base their efforts in Ann Arbor at the EPA National Vehicle and Fuel Emissions Laboratory, where a newly designed hydrogen refueling station will be built by Air Products and Chemicals Inc. of Allentown, Pa.

Experts believe it will be at least a decade before fuel cell technology can be widely deployed, with the cost a major stumbling block. The Energy Department acknowledges that fuel cells are 10 times more expensive to build than a conventional auto engine.

Dieter Zetsche, president and chief executive of DaimlerChrysler's Chrysler Group, noted the "tough challenges related to cost" of fuel cells but said projects like the one announced Monday are "vital to fuel cell research and development efforts." Zetsche called fuel cells "the best bet we have to compete with the combustion engine" in the next 10 years.

David Cole with the Center for Automotive Research in Ann Arbor said it's difficult to measure the significance — in terms of the technology — of a project like that being undertaken by DaimlerChrysler and UPS because mass-marketed fuel cells are a long way off and manufacturers have yet to mass-produce them.

"At this point the technology is so new and they're making so many improvements, what you'll see for a while is one and two vehicles, not demonstration fleets of 500," Cole said. "When they do that, they know they have something special, or a lot of money to throw around."

Tom Weidemeyer, UPS chief operating officer, said deploying even one fuel-cell vehicle will help determine "what's needed to make it broadly available. These vehicles are going to be rolling laboratories," he said. "Environmental improvements like this and the needs of business are not incompatible."

Wednesday May 28, 2003

Cole noted more government-auto industry partnerships are likely to take shape as alternative power technology research becomes more "expensive, very high risk, and very competitive." He said, "I think this (type of partnership) is one of the main elements of transforming business models."

Monday's event drew protesters, who stood near the EPA lab holding signs and urging officials to seek more immediately effective environmental policies.

"Hydrogen fuel cell technology is important research for the future but won't reap real benefits for 20 years," said Jeff Gearhart, Auto Project Campaign Director for the Ecology Center. "There is no reason we should have to choose between a hydrogen future and fuel economy now."

SN CRAC Settlement Talks Fail: BPA Sees 7.5 Percent Rate Increase

Clearing Up, by Ben Tansey

Talks between BPA and its customers over a possible settlement in the agency's proposed rate increase broke down last week. Customers presented BPA with a proposal for implementation of the safety net cost recovery adjustment clause, or SN CRAC, but the agency rejected it, sources said.

About 30 representatives of the Bonneville Power Administration and its customers met and caucused on and off all day Wednesday and for a few hours Thursday. But by 11 a.m. negotiations ceased. The parties said a confidentiality agreement prevented them from discussing the substance of the talks.

"We were not able to reach a settlement," said Barney Keep, BPA's lead negotiator. He would not confirm that BPA rejected the customer offer. "The group came to a conclusion that we didn't have a basis to settle.

"You need to know the agency is still considering everything," he added. There were points made that "need to be thought about," and the agency "has not made up its mind. A lot of times things can be presented in a different way that make a better connection than they did before."

In addition, Keep said BPA's financial picture is improving, and the agency now estimates the rate increase will come in at a net of 7.5 percent over current rates, plus or minus 2 percentage points. That's half the net 15 percent increase BPA proposed when it triggered the formal rate proceeding in February.

"It's generally nicer to settle than not to settle, but life goes on," said Kevin O'Meara, senior economist at the Public Power Council.

Customers refused to disclose the nature of the settlement they offered; various reports were all over the board. PPC's O'Meara said one can get "a fair indication of the path we were heading down" by reading the rate case testimony.

Another source said "BPA was asking for \$920 million, less any known cost changes, and customers were not willing to offer that. BPA won't recognize a cost change until "they see the whites of its eyes," the source said.

"BPA needs to make more cuts and take a few more risks," said industrial customer consultant Linc Wolverton.

Wednesday May 28, 2003

Meantime, in Washington, DC, a cadre of industrial customers including Alcoa, Kimberley-Clark, Boeing, Weyerhaeuser, Con Agra Foods and others met for 40 minutes with Secretary of Energy Spencer Abraham and Deputy Energy Secretary Kyle McSlarrow, BPA's boss. Also present was Ken Canon, executive director of Industrial Customers of Northwest Utilities. The group wanted "to make sure Bonneville was clearly on their radar screen," Canon said.

The industrials encouraged the Department of Energy to do an "overall management audit" of BPA to examine its activities and whether they are "necessary and appropriate at this time," Canon said. "Just because you've been doing something for a number of years doesn't mean you're doing it in the best way possible."

Canon said both DOE officials seemed "very engaged" and mentioned they had had recent dealings with agencies that also needed "to have another look," such as Los Alamos National Laboratory.

Also in DC, BPA is negotiating with the Treasury Department over short-term borrowing. Treasury is prepared to offer up to \$250 million, contingent on BPA's providing a "credible five-year business plan" with a high Treasury repayment probability and the maintenance of financial ratios comparable to an "AA"-rated power company. "Treasury will also require that BPA provide certain commitments

with respect to its financial and business management practices," according to a Treasury document obtained by Clearing Up.

BPA has indicated it wants a \$500 million facility that would allow it to borrow for operating expenses. Treasury said it might approve a lending agreement with a one-year sunset date allowing borrowing on an "as-needed basis" only.

In the memo, Treasury complained that BPA "has indicated that it intends to plow back certain financial cost savings to ratepayers rather than using these gains to shore up [its] financial strength." A May 16 briefing Treasury had scheduled with Republican members of the Senate Energy Committee on the negotiations was canceled.

As for the SN CRAC rate case, cross-examination in the formal proceeding was scheduled for Wednesday and Thursday last week, but most parties agreed to waive it, leaving only a handful of cross-examinations that were rescheduled to May 16. Under the schedule, initial briefs are to be filed May 23, with oral argument May 29.

Greenspan says natural gas supply "serious problem"

WASHINGTON, May 21 (Reuters) –

Federal Reserve Chairman Alan Greenspan said on Wednesday the issue of natural gas was a "very serious problem," with difficulties in ensuring supply driving up prices and pressuring U.S. industry.

"I'm quite surprised at how little attention the natural gas problem has been getting, because it is a very serious problem," Greenspan said in response to a question in testimony before the congressional Joint Economic Committee.

The Fed chief said new findings of natural gas reservoirs are drained by half in the first year because of the success of new technologies -- making it difficult to keep up to demand. And, he said, natural gas, unlike oil, is difficult to import.

Wednesday May 28, 2003

"The major reason (it is difficult to import) is not that there is not a huge amount of gas in the world -- it is really quite abundant -- the only way to get it to the United States, other than Canada and Mexico, is to bring it in with cryogenic liquefied natural gas carriers, which have created a major environmental problem," Greenspan said.

"We have very few vehicles which enable us to tap the world natural gas market, and the reason essentially is our capacity to bring in natural gas in cryogenic form is extremely limited," he said.

"And if on the one hand we have encouraged, as we have, very significant growth in domestic demand for natural gas -- but are very readily constrained by our ability to increase supply -- then something has got to give, and what is giving, of course, is price," Greenspan said.

The Fed chairman suggested Congress would have to deal with contradictory federal policy on natural gas, with rising prices already pressing down on industries that rely very heavily on natural gas.

"I don't think we've yet seen the implications of (price pressures), but they are going to arise, and it is coming to your subcommittee," he told one committee member.

"I suspect you'll find a number of people are going to watch very closely because this is an issue that we have not addressed and we have, I'd say, contradictory federal policy," Greenspan said.